

Message Text

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TO AMEMBASSY LA PAZ IMMEDIATE

C O N F I D E N T I A L STATE 074695

FOR AMBASSADOR BOEKER FROM ASSISTANT SECRETARY KATZ

E.O. 11652: GDS

TAGS: EMIN, ITC, BOLIVIA

SUBJECT: MEETING WITH AMBASSADOR ITURALLDE

1. BOLIVIAN AMBASSADOR CARLOS ITURALLDE CALLED ON ME MONDAY, MARCH 20 TO DISCUSS THE TIN SITUATION AND TO RECORD HIS GOVERNMENT'S CONCERN OVER THE UDALL-DECONCINI BILL. GOB OFFICIALS ARE WORRIED ABOUT THE ABSOLUTE LEVEL OF DISPOSALS, WHICH IS '5,000 TONS MORE THAN WAS EXPECTED, AND THE PERCEIVED INTENT TO DISPOSE OF MOST OF THE TIN BY THE END OF 79 IN ORDER TO ACQUIRE COPPER. HE SAID HE REALIZES THE BILL CONTAINS NO SPECIFIC PROVISIONS FOR EARLY DISPOSALS, BUT MOST BOLIVIANS AND MANY TRADE SOURCES BELIEVE THAT CONGRESSIONAL AND INDUSTRY PRESSURE WILL LEAD TO QUICK SALES WITHIN THE NEXT EIGHTEEN MONTHS. HE SAID THE ANTICIPATION OF SUCH SALES HAS CAUSED TIN PRICES TO FALL SHARPLY IN THE PAST TWO WEEKS.

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2. THE AMBASSADOR MADE THE EXPECTED POINTS ABOUT THE POLITICAL AND ECONOMIC DIFFICULTIES GSA DISPOSALS COULD CREATE FOR BOLIVIA. HE ADDED THAT BOLIVIAN PUBLIC OPINION SIMPLY HAD NOT UNDERSTOOD THE NATURE OF OUR DISPOSAL POLICY AND OUR COMMITMENT TO AVOID UNDUE MARKET DISRUPTION.

3. ITURALLDE WENT ON TO SAY THAT BEFORE HE LEFT LA PAZ

HE HAD PRESIDENT BANZER'S AND THE CABINET'S APPROVAL TO GO ALONG WITH A 30,000 TON DISPOSAL ON THE BASIS THAT BOLIVIA WOULD WORK WITH US TO DEVELOP A REASONABLE MEDIUM TERM DISPOSAL PROGRAM BASED ON FIXED MONTHLY OR ANNUAL SALES. HE WAS UNSURE, HOWEVER, WHAT THE CURRENT GOB ATTITUDE WAS.

4. I REVIEWED FOR THE AMBASSADOR THE HISTORY OF OUR TIN DISPOSAL PROGRAM, POINTING OUT THAT PAST DISPOSALS WERE NON-DISRUPTIVE AND, IN FACT, HELPED STABILIZE THE MARKET DURING 1973-74 WHEN TIN PRICES SKYROCKETED. I REMINDED HIM OF THE PRODUCTION DEFICITS OF 1976-77 AND THE ITC'S 19,000 TON PROJECTED DEFICIT FOR 1978. I NOTED THE TRIPLING OF TIN PRICES SINCE 1972 AND THE NEAR DOUBLING OF PRICES SINCE THE END OF 1975. UNDER THESE CIRCUMSTANCES, WE CONSIDER DISPOSALS APPROPRIATE. I ADVISED HIM THAT WE WOULD ATTEMPT TO DISPOSE OF THE TIN WITHOUT UNDUE DISRUPTION, BUT CAUTIONED THAT ANY LEVEL OF DISPOSALS WOULD CAUSE PRICES TO FALL FROM THEIR HISTORICALLY HIGH LEVELS OF LATE 1977.

5. I ALSO EMPHASIZED THAT WE WERE PREPARED TO CONSULT WITH PRODUCERS BILATERALLY AND IN THE ITC ON DISPOSALS, BUT THAT EMOTIONAL OUTBURSTS FROM BOLIVIA WERE NOT CON-
DUCIVE TO A USEFUL DIALOGUE. I NOTED THE MORE MODERATE POSITIONS TAKEN BY SOUTHEAST ASIAN PRODUCERS AND
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SUGGESTED IT MIGHT BE IN EVERYONE'S INTEREST IF THE BOLIVIANS WOULD MODERATE THEIR STATEMENTS.

6. ITURALLDE AGREED THAT SOME BOLIVIAN STATEMENTS WERE PREMATURE AND INTEMPERATE. HE SAID, HOWEVER, THAT IT WAS NECESSARY TO UNDERSTAND THE CLIMATE IN WHICH THEY WERE MADE. HE REITERATED THAT MOST BOLIVIANS BELIEVE THE USG INTENDS TO SELL LARGE AMOUNTS OF TIN IN THE NEXT EIGHTEEN MONTHS TO BUY COPPER IN ORDER TO PLACATE THE DOMESTIC COPPER INDUSTRY AND CONGRESS. THE RESULTANT LOWER TIN PRICES WOULD BE A BLOW TO THE ECONOMY AND POLITICAL FIGURES IN BOLIVIA COULD BE EXPECTED TO USE THE DISPOSAL ISSUE TO PROMOTE THEIR INDIVIDUAL CAMPAIGN INTERESTS.

7. ITURALLDE APPEARED SATISFIED THAT WE ARE PREPARED TO CONSULT WITH THE GOB. HE SUGGESTED THAT HE WORK CLOSELY WITH US IN WASHINGTON TO DEVELOP AN ACCEPTABLE PROGRAM WHICH HE WOULD THEN TRY TO SELL TO PRESIDENT BANZER AND THE CABINET. HE COMMENTED THAT IF THE U.S. AND BOLIVIA COULD WORK OUT AN ACCEPTABLE PROGRAM, HE THOUGHT THE OTHER PRODUCERS WOULD ALSO ACCEPT IT.

HE CAUTIONED, HOWEVER, THAT ANY AGREEMENT MUST APPEAR TO BE THE INITIATIVE OF THE PRODUCERS.

8. IN CLOSING, ITURALLDE SAID THE BOLIVIAN GOVERNMENT WAS ALSO CONCERNED ABOUT U.S. DISPOSAL PLANS FOR TUNGSTEN, ANTIMONY AND BISMUTH. HE NOTED THAT THESE THREE COMMODITIES PLUS TIN ACCOUNT FOR ABOUT 70 OF

BOLIVIA'S EXPORT EARNINGS AND THAT--IN PARTICULAR-- ANTIMONY AND BISMUTH DISPOSALS WOULD BE DISASTROUS IN TODAY'S ALREADY DEPRESSED MARKET. I ADVISED HIM THAT

THE ANTIMONY AND BISMUTH DISPOSAL TARGETS IN THE GSA
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ANNUAL MATERIALS PLAN WERE ONLY GUIDELINES FOR THE FY 1978-80 PERIOD AND THAT LESSER AMOUNTS COULD BE SOLD IF DEPRESSED MARKET CONDITIONS SO DICTATED. VANCE

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